MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BSM3614 – STRATEGY

(All Sections/Groups)

26 OCTOBER 2018
9:00AM – 12:00PM
(3 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX (6) pages** (exclusive of cover page) only.

2. **Answer ALL questions.** All questions carry equal marks and the distribution of the marks for each question is given.

3. Please provide all your answers in the Answer Booklet provided.

QUESTION 1 (20 MARKS)

(a) Innovation from Farm to Table[1]

Investment in agricultural R&D is essential to feeding the world's growing population.
by Barry Jaruzelski, Volker Staack, and Tom Johnson

For farmers in rural India, gaining access to quality products, accurate information, and fair prices often presents a challenge. Pune-based startup AgroStar was founded to turn the tables. The company developed a mobile-commerce platform that helps farmers purchase supplies and raw materials. AgroStar customers order using a mobile app or through the "missed call" technique. (The customer dials a number but disconnects before the call is picked up, which alerts the recipient that the caller wants to order or communicate but enables the caller to avoid cell-phone usage charges.) Launched in 2012, AgroStar has partnered with more than 150 brands, including multinationals such as Syngenta, and has served 7 million farmers in the states of Maharashtra, Gujarat, and Rajasthan.

(i) Demonstrate your understanding of intensive strategies. (9 marks)

(ii) Justify the application of intensive strategies in the above case. (6 marks)

(b) RBV theorists argue that internal resources are more important than external factors for a firm in achieving and sustaining competitive advantage.

Make a stand AGAINST the above statement. (5 marks)

QUESTION 2 (20 MARKS)

The following case[2] gives an example of the choices that an organisation makes about what type of value to offer and how to deliver it — and those choices often run contrary to the conventional wisdom of the industry.

> Haier, the Chinese appliance company that has held the world's largest market share in "white goods" since 2011, competes with Apple in a few categories, including televisions and computers. But it has a very different value proposition: that of an innovator and solutions provider, offering products and services that meet the needs of particular customers and help them deal with problems. For example, Haier makes a small washing machine designed for undergarments (which are washed separately in China) and a large one designed for the robes of Pakistani men. It makes no-frost freezers for countries where power outages are common. It makes air conditioners that clean polluted air (and indicate the level of air quality with coloured lights), and water conditioners that can be tailored to

[1] Sourced from: https://www.strategy-business.com/article/Innovation-from-Farm-to-Table
[2] https://www.strategy-business.com/feature/Creating-a-Strategy-That-Works

Continued .../

filter out the particular chemicals in the water supply of thousands of different Chinese neighborhoods. To provide products like these (and many others), it has developed its own capabilities system [edit]. Haier's system combines consumer-responsive innovation, operational excellence, the management of local distribution in a variety of regions, and on-demand production and delivery. Like Apple, Haier applies its capabilities to a broad portfolio of products and services. These include water-quality monitoring for cities in China, interior design for new homeowners there, and microcredit lending for Chinese purchasers who need it. Despite the variance within the portfolio, all the offerings are fitting for a global innovator and solutions provider from a large emerging economy. Haier's capabilities will also fit its expanding global portfolio after its planned purchase of GE's appliance business.

(a) **Analyse the FOUR (4) criteria that should be used to determine whether an organisation's capabilities are core competences and can be a source of competitive advantage.** **(10 marks)**

(b) **Based on the above and what you understand of the organisation, evaluate the FOUR (4) core competences of Haier that have enabled the organisation to maintain its successful position in the appliances industry.** **(10 marks)**

QUESTION 3 (20 MARKS)

The Athleisure Trend Isn't Taking A Rest[3]
Andria Cheng, Contributor
Retail

The red-hot athleisure trend has led many retailers and brands to unveil their own collections in recent years, and the term has been added to the dictionary. Now there's more evidence that it's not losing steam. The "sport leisure" style has become the largest category in the U.S. sneaker space, beating "performance"-oriented footwear, according to a study released this week by market research firm NPD Group. In sharp contrast, while demand for sport leisure styles surged 17% last year to $9.6 billion in sales, sales of performance apparel tumbled 10% to $7.4 billion, NPD said, adding the performance category's decline has "accelerated" the last two years.

(Merriam-Webster defines athleisure as "casual clothing designed to be worn both for exercising and for general use.")

Sales of "running-inspired" sneakers jumped 39% and "casual athletic" styles rose 24%, driving 2017 growth, NPD noted. On the other hand, sales of performance-geared shoes dropped 7% while training sneaker sales slumped 15%, according to NPD. In all, total U.S. sneaker sales rose 2% to $19.6 billion last year, according to NPD. "I often get asked whether the bubble around leisure will burst anytime soon, and the answer is no," said Matt Powell, senior sports industry advisor at NPD, in the report. "Athleisure rules the runway, and the line between what is an athletic shoe and a casual shoe continues to blur. Brands and retailers must continue to feed this

[3] https://www.forbes.com/sites/andriacheng/2018/02/09/here-are-some-more-signs-athleisure-trend-still-has-legs/

Continued .../

trend." They are, and the eagerness is coming from brands both inside and outside of the traditional athletic space. For example, upscale handbag and accessories label Coach will "continue to amplify the sport category" heading into spring, parent company Tapestry CEO Victor Luis said this week on a conference call, adding Coach has introduced a "broad" pre-spring sneaker assortment.

Use the Five Forces Model to analyse the athleisure industry. **(20 marks)**

QUESTION 4 (20 MARKS)

Provided are hypothetical internal and external analyses for a Strategic Position and Action Evaluation (SPACE) Matrix of a global player in the athleisure industry.

Internal Analysis		External Analysis	
Financial Position (FP)		Stability Position (SP)	
Compound Annual Growth Rate (CAGR): BLEH Inc.'s online sales have grown at a CAGR of 17% in the past 5 years and doubled its e-commerce penetration to 14% for 2020.	4	Technological impact: More people are shopping online instead of being out in brick-and-mortar stores, with Cisco's Internet Business Solutions Group (IBSG) predicting some 50 billion devices will be connected by 2020, and 75 billion by 2030; in addition, Euromonitor International's 2017 Global Consumer Trends Survey shows that 23% of global respondents read reviews of products or services online at least weekly and 12% write a review for a product or service online at least weekly; two-thirds of respondents also agree that finding bargains while shopping is something they enjoy.	-3
Gross Margin: It has been experiencing fluctuations in its comparable margins over a 5-year margin: 40.3% (2013) to 36.2% (2015) to 39.0% (2017).	2	Purchasing power: By the end of 2018, China will make up 16.48% of the world's purchasing-power adjusted GDP (US$17.632 trillion), and the US will make up just 16.28% (US$17.416 trillion)	-2
Debt position: It entered into a ¥15 billion four-year unsecured term loan, where repayments of ¥2.5 billion are payable on 15 January of each year, commencing on 15 January 2017 with a final repayment of ¥7.5 billion due on 15 January 2020.	4	Household income: Across the rapid-growth markets (RGMs), there will be nearly 200 million households with incomes in excess of US$35,000 by 2022, with spending on services such as communications, culture and recreation growing at almost twice the pace of spending on food.	-2
Sales: Since 2010, BLEH Inc.'s net sales, including all umbrella companies, have been gliding in at around the $15 billion mark.	4	Risk involved in business: According to the International Hologram Manufacturers Association, of all counterfeits confiscated at the EU's border in 2017, more than 79% had come from China, which amounted to almost 36 million items that would have had a	-3

Continued .../

		domestic retail value in excess of €768 billion.	
Purchasing policy: It purchases merchandise from over 1,000 vendors in about 40 countries; 98% of its purchases are from factories outside the United States, of which 28% of this are from China.	2	Factor of inflation: In the International Labour Organisation's (ILO) annual "Global Employment Trends" report, an estimated 201.8 million people were jobless in 2017, up by nearly 5 million in one year, a new high, exceeding 2015's record of 198 million; additionally, in 2017, an estimated 375 million workers - 11.9 percent of the world's workforce - lived on less than $US1.25 a day, while 839 million - 26.7 percent - received $2 a day or less.	-3
Competitive Position (CP)		Industry Position (IP)	
Company size: BLEH Inc. (2017 brand value of US$4.12 billion) owns 8 brands in 3,539 company-operated locations in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong and Taiwan, and franchise stores throughout Asia, Australia, Eastern Europe, Latin America, the Middle East and Africa.	-3	Brand stability: The brand value of the 2017 leading 10 apparel brands worldwide is as follows: Nike US$24.5b, Zara US$23.1b, H&M US$15.5b, Uniqlo US$7.3b, Adidas US$7.1b, Ralph Lauren US$6.3b, Next US$5.7b, Hugo Boss US$4.5b, lululemon US$3.2b and Tommy Hilfiger US$2.0b.	4
Corporate Social Responsibility: It has been in Corporate Responsibility Magazine's "100 Best Corporate Citizens" list for 9 consecutive years, and in Ethisphere Magazine's "World's Most Ethical Companies" for 8 consecutive years.	-2	Raw material costs: Global demand from cotton mills will jump to 26.6 million tons in 2019-2020 from 24.4 million tons this year, and global reserves will reach an all-time high of 107.36 million bales, each weighing 480 pounds, or 218 kilogrammes, with India becoming the world's largest producer of 31 million bales; other producers include China, Vietnam, Bangladesh, Taiwan and Turkey.	5
Workforce diversity policy: It is the first Fortune 500 company in America to be independently certified as paying women and men equally; more than 70% of its workforce is female and 60% of its director-level employees and half of its vice presidents are women; in addition, it provides the P.A.C.E. (Personal Advancement & Career Enhancement) workplace education programme for its female employees	-1	Industry growth: The global athleisure industry is expected to grow to approximately US $125 billion in 2019 with a CAGR of 6% over the next five years, where increase in demand for sports-style apparel and favourable demographic conditions throughout Asia are expected to boost the performance apparel market during the forecast period.	4
Leadership: Incoming CEO in 1 Sept 2018, Art Peck, joined BLEH Inc. in 2005 and has held a variety of brand, strategic and operational roles, led the North American division for the BLEH brand in 2011 and 2012, and currently serves the company's growth, innovation and digital division.	-2	Operational trends: Only one person is needed to operate a single stitching machine to complete the entire upper portion of a Nike Air Force One shoe; Under Armour's SpeedForm shoes, made at a Chinese bra manufacturer's factory, has a seamless heel cup that does away with the need for any stitches.	3
Customer experience:	-3	Competitive pressure:	6

Continued .../

It has an omni-channel shopping experience for its customers through the integration of its store and digital shopping channels, e.g. its ship-from-store, find-in-store and reserve-in-store programmes, self-checkout and mobile checkout via associates etc		Technology trends in the fashion industry, like wearable technology, 3D printing and fashion media apps, are gaining momentum e.g. the Misfit Shine, an activity tracker that doubles as jewellery and transmits data to the iPhone via Bluetooth connectivity; Iris Van Herpen's multimaterial 3D printed dresses; scannable QR (quick response) codes that trigger detailed product information and marketing displays on handheld devices; Barclays Bank's mobile checkout "buy it" feature on its just-launched Pingit payment app that lets customers scan items in a shop window and buy them in one click; 'CrowdSend', a new social network that tries to identify objects on online images, etc.	

(a) Discuss the Strategic Position and Action Evaluation (SPACE) Matrix. (5 marks)

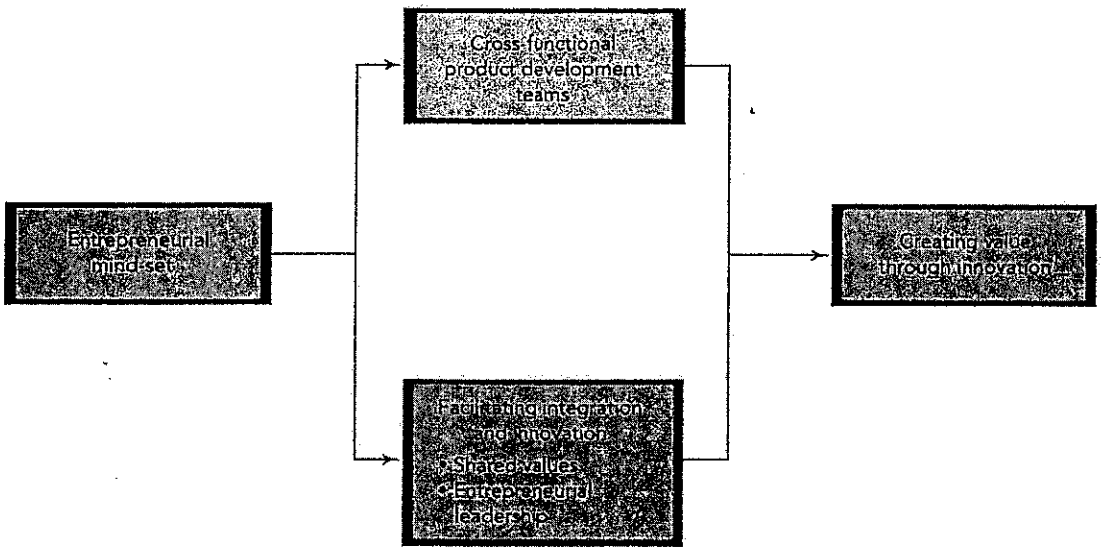
(b) Based on the above table, provide the necessary calculations and plot the SPACE graph. (*Marks will be allocated for workings.*) (10 marks)

(c) Based on your findings in (b), provide recommendations for the organisation to plan for its future growth. (5 marks)

QUESTION 5 (20 MARKS)

(a) Explain the illustration below within the context of value creation from internal processes. (8 marks)

Continued .../



(b) *When it comes to corporate multiculturalism, it is the relationship between a diverse board and its CEO that makes the biggest difference for leading firms.*

Justify the above statement, using <u>corporate governance</u> as the basis for your argument. (12 marks)

END OF PAGE